
One on One

With

Jacques Gansler, U.S. Undersecretary for Acquisition and Technology

[The following is a reprint of an interview with Mr. Jacques Gansler. The interview was published in the 15 March 1999 issue of *Defense News* (p. 46). This article is reprinted with the permission of *Defense News*.]

He is, by his own admission, a certified member of the military-industrial complex. Jacques Gansler has shuttled between public service and the private sector for more than 25 years.

Before his latest return to the Pentagon, Gansler worked at TASC Inc., an applied information technology company in Arlington, VA. He previously served the Defense Department as Deputy Assistant Secretary of Defense for Materiel Acquisition, and Assistant Director of Defense Research and Engineering.

Today, as Undersecretary of Defense for Acquisition and Technology, he is a major player in deciding which programs live and die, and how the Defense Department buys weapons and supplies.

Gansler, known throughout academe and the defense industry for his many articles and several books on how the Pentagon buys weapons, has tackled a wide range of issues since taking the helm in November 1997. He has warned of a procurement death spiral, pushed price-based acquisition, worried about the issue of globalization, and worked to secure more money for weapon purchases and to upgrade aging systems.

In an extended discussion with *Defense News* staff Jan. 19, Gansler tackled globalization, criteria for new defense mergers and other issues.

Q. What are the priorities you use to assess whether a merger is in the best interests of the United States?

A. [Former Defense Secretary] Bill Perry had this famous [so-called] last supper, during which he said there were two criteria that he would use to judge [any defense industry merger].

One was that we would gain efficiency as a result of the merger if that could be demonstrated.

The second one was that we maintain competition at all critical areas. As consolidations kept taking place, it became increasingly more difficult to look at the competition question and, ultimately, that was what led us to stop the Northrop-Lockheed merger. [The Defense Department and the Justice Department last year halted the merger of Northrop Grumman Corp., Los Angeles, with Lockheed Martin Corp., Bethesda, Md.]

Q. Are these also applicable to possible trans-Atlantic mergers?

A. When we introduce the questions of foreign acquisition, we still want to use those same two criteria. And we want to add one more criterion, which is how to maintain security in the presence of globalization.

Q. So how does that translate into policy on mergers and technology transfers?

A. I think it is probably wrong for us to totally fight globalization as industry is globalizing. Increasingly, there are defense technologies that we would like to take advantage of on a global scale. So, from the viewpoint of economic considerations -- and from the viewpoint of geopolitical considerations, [i.e.] the fact that we most likely will want interoperability with our allies -- it makes sense for us to increasingly consider globalization as part of our mergers and acquisition perspective.

Q. But how do you judge the impact on U.S. national security?

A. This issue of making sure we have security control over the technology, over the products, over third-country sales, over leakage, drives us to consider the company and the countries [involved in any potential merger], their history and their background.

We also need to consider whether or not [these countries] have agreements that honor some of our legal and ethical behavior; whether or not they share intelligence freely with us; and then, finally, what kinds of controls do they have over their technology.

Q. Are mergers more or less likely under these guidelines?

A. With those criteria as the method of approach to assess an acquisition, we think it makes sense for us to be more open in our considerations of foreign acquisitions. At some point, I suppose reciprocity also comes into this. In other words, are [the countries involved in a potential trans-Atlantic merger] willing to allow U.S. acquisitions of their companies, and are they willing to buy from U.S. companies in the same way?

Q. John Hamre, the deputy defense secretary, repeatedly has raised concerns about the security of military computers. Where will that figure in these guidelines?

A. It's a new world. Security, for example, has to be viewed a very different way. The big problem is cybersecurity and how do we control the networking leakage, not just who visits the plant and who takes home the technology and what drawings you walk out of the country with.

We also have the growing linkages within companies [via computer]. Were we to approve of a linkage between country A and a U.S. firm, it may well be that country A is already linked to countries B, C and D. While B and C may be trustworthy allies, D may not be.

Q. How does that translate into policy?

A. What we don't want to do is send out a signal that we are not at all interested; that we will build big walls and in no way will we allow [mergers between U.S. and] foreign companies. In fact, the approval of the GEC-Tracor purchase indicates that we are going [toward encouraging such ties].

[The British firm General Electric Co. (GEC) plc, London, bought the Austin, Texas-based defense firm TRACOR last year.]

But GEC is maintaining extremely tight controls with these special security arrangements that are part of the normal requirement.

Q. Do you see the day when we rely on a company outside the United States for weapon platforms?

A. The first and primary question isn't the ownership [of the company providing weaponry]; it's the controls [on technology transfer]. I think it's also a consideration of where they are located....

At some point, I think there will be systems we buy from the Europeans and they will buy some from us.

Q. So, you can imagine a trans-Atlantic company as a prime U.S. contractor?

A. One could envision a globalized company certainly, a globalized company that does business here in the U.S. on major weapon systems, and does some parts of it offshore. If you would open up a weapon system today, you would find significant elements, many of them critical, [from offshore]. A semiconductor from Japan or glass from Germany are already coming significantly from offshore.

So we already have a semi-globalized industry. We are used to thinking of the prime contractor as the issue. You know, who does the final assembly?

And in some of our weapon systems, a helicopter for example... the majority of the systems come from offshore and they are assembled in the U.S. in order to satisfy the Buy America Act.

Q. What effect will the security issue have on this?

A. I don't know if we are ready to buy all of our weapon systems from offshore. I don't know if that will happen. And we are so far ahead of [the Europeans] in technology and in quantity, our market is so much larger than theirs, that we will be more than competitive in the future.

But I do see us buying some components in niche markets from offshore.

Q. Given that trend, what message do you think you are sending to the Europeans with your action on the Medium Extended Air Defense System? Will you make at least a political commitment to it?

A. I think the answer is yes. The MEADS requirements, namely for mobility, 360-degree coverage and for advanced targets, are shared by Europe and us.

Our only problem with it, as we rank our priorities for defense we have a long list. MEADS is on the list. But I suspect that if I go up and ask a congressman to list those requirements, they would probably start with things like National Missile Defense, the Navy Upper Tier missile system, the Upper Tier Army system and maybe the Airborne Laser system.

Q. Is MEADS at the bottom of the list?

A. It's on that list. No, I don't necessarily feel it's on the bottom, either my list or others' lists, but each person has their own list.

But, MEADS is probably not at the top of any of those lists, except for the fact that it is at the top of some of our allies' lists, or at least close to the top.

The fact that there is a recognized need, and one for which we don't have full capability, pushes us to try to find affordable solutions to satisfy [both the U.S. and European requirements].